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CERTAIN POLICIES OF THE PRESENT ADMINISTRATION AND THEIR EFFECTS

AN ADDRESS

DELIVERED

BEFORE THE BOSTON CITY CLUB, BOSTON, MASS., ON
APRIL 13, 1916, IN RELATION TO CERTAIN POLICIES
OF THE PRESENT ADMINISTRATION
AND THEIR EFFECTS

BY

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PRESENTED BY MR. LODGE

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CERTAIN POLICIES OF THE PRESENT ADMINISTRATION AND THEIR EFFECTS.

MR. CHAIRMAN AND MEMBERS OF THE BOSTON CITY CLUB: The theory that a man is lacking patriotism because he has affiliations with a political party and that his opinions are shaped by his party alliance rather than guided by consideration of the best interests of the country is held by many people but will not bear the test of analysis. Men do not form their opinions according to their political affiliations but form their political affiliations according to their opinions.

Undoubtedly a few men form their political affiliations because of the party connections of their forefathers or because of the particular section of the country in which they live and then adopt the political opinions of that particular party without having carefully judged the merits of the party's principles. But that is true only in exceptional cases, and it is the general rule that men judge first of the merits of principles and make their party affiliations according to their best judgment of what will promote the welfare of the country.

It is expected that this discussion will be partisan in its character. It is expected that the policies and principles of the Republican Party will be commended and the policies and record of the Democratic Party will be criticized. Some perhaps will attribute this attitude to purely partisan feeling and prejudice, but I trust that most of you will be considerate enough to believe that I am not making a partisan Republican speech merely because I am a Republican, but that I am a Republican because my study of governmental problems and political history has thoroughly convinced me that the adoption and maintenance of Republican principles in the administration of our Government will subserve the interests of the American people. If I were of the opinion that the principles and policies of the Democratic Party were superior, I should not hesitate to change my affiliations. I trust that my hearers will be generous enough to assume therefore that in what I have to say in adverse criticism of Democratic practices and accomplishments there is no feeling of partisan antagonism, no disposition to question the patriotism or personal integrity of Democrats, but an effort to show that, however honest and patriotic members of the Democratic Party may be, they have erred in the formulation of their principles and have proven themselves incapable in the administration of governmental affairs.

INEFFICIENCY OF INEXPERIENCE.

The assertion that Democrats are incapable in the administration of government is occasionally confirmed by Democrats themselves who realize that either because of its inexperience in government or because of the erroneous theories it maintains, the Democratic Party

is not successful in conducting Government business, either legislative or executive. In recent months we have had this admission by such eminent Democrats as Newton D. Baker, recently appointed Secretary of War; Hon. Francis G. Newlands, United States Senator from Nevada; and Hon. John Sharp Williams, United States Senator from Mississippi.

It is well known to all of you that the Democratic Party has been in control of the affairs of the United States but twice in 50 years. Members of that party, therefore, have not had the responsibility of shaping the constructive policies of the Nation. Quite easily they have drifted into the attitude of being opponents of Republican policies and affairs, rather than proponents of policies of their own. They have been against the Republican administrative endeavors, rather than builders of constructive policies of their own. Their habits of thought, therefore, have been such that it is not easy for them, when vested with power and responsibility; to take up the large and exacting undertaking of working out the details of legislation or solving the intricate problems of executive administration.

To say that this is true is not an unkind reflection upon individual members of the Democratic Party. You, as business men, realize this in your private business. A manufacturer of shoes, for example, who has in the employ of his establishment a thousand men working in various departments, from the most ordinary common labor to the difficult task of selling the goods, would not for one moment consider placing in supervision of his establishment a force of men who had been for 16 years without practical experience in that special line of work.

I do not say that circumstances could not exist which would make such a change advisable. If the owner of a factory found the experienced managers of his establishment conducting the same at a great loss, ruining his property, and destroying his business, it would undoubtedly be wise for him to change even if he had to place his affairs in the hands of men of no experience whatever in that particular line of work.

If it were true that the affairs of this Government were in a deplorable condition under Republican administration, and that our economic policies were disastrous to our industrial welfare, and if we had lost our standing among the nations of the earth, I, for one, would not complain if the control of governmental interests were turned over to a political party without experience in government. But I think you will agree with me that no such condition existed at the time of the change of administration. While some of you undoubtedly believed the policies of the Republican Party were not exactly what they should have been, and while I shall admit that the Republican Party has not been perfect in either its legislation or its administration, yet I assert that its failures were comparatively inconsequential in character, and that it was, in fact, successful in a large degree when its record is compared with that made by its inexperienced successor.

Under the economic policies which the Republican Party maintained this country was thriving industrially. The business of the Government in the various departments was promptly, efficiently, and economically conducted. The United States enjoyed a high place in the estimation of other nations. The minor defects and

faults were such as might be expected under any human administration, and were not such as to justify turning the management of our affairs over to men whose economic principles were wrong and whose experience made it practically impossible for them to conduct the business of the Government satisfactorily or economically.

Taking up what, I believe, each of you will acknowledge to be the most important question relating to governmental affairs, I shall undertake to demonstrate the superiority of Republican policies relative to the principle of protection and methods of raising revenue for carrying on the people's business.

A wise political philosopher has said that the real test of efficiency in government is to be found in the manner in which an administration conducts the finances of the nation.

If Mr. Wilson and his associates on the 4th of March, 1913, had for a minute desisted from their forward look and had glanced back over the preceding 16 years, they would have found that their predecessors in government had so provided for the Nation's revenue that they had put into the Federal Treasury the imperial sum of \$9,677,952,080, an average of \$49,886,351 per month. From these moneys Mr. Wilson's predecessors had provided the means to carry on the Spanish War, to add consistently year by year to our naval strength, to embark in costly expenditures in the Philippines, to create a new Naval Academy at Annapolis, and to build those splendid structures which house the cadets at West Point; to add in every State to the number of buildings which serve our public purpose; to begin and to carry well forward to completion a comprehensive and costly plan for the development of the National Capital; to spend large sums for the development of our coast and lake harbors, and for the development of our internal commerce-carrying waterways; to build the Department of Agriculture from an insignificant bureau to one of the greatest of our executive departments; to create and develop two more ministerial departments in the President's Cabinet; to initiate and fulfill thousands of helpful projects; and, most of all, to plan and construct the Panama Canal, the greatest piece of modern engineering and construction which either continent can boast. And having accomplished all this, to hand over to their successors a Treasury containing a surplus of \$149,335,711.78.

In making this record Mr. Wilson's predecessors put into the Treasury, as I have said, nearly \$10,000,000,000 at an average of \$49,886,351 per month; and in spite of all these colossal expenditures without undue pressure upon the sources of revenue and maintaining the producing capacity of the Nation at its full height, they took from the Treasury almost \$2,000,000 less per month than they put into it. Mr. Wilson and his associates have changed all this. Reversing the fiscal policy which had produced these splendid results in the Treasury, and the fruits of which are to be seen in a tangible manner, as I have indicated, they turned to a policy which it must be admitted brought money to the Federal coffers, but which was accompanied by a policy of extravagance resulting to-day in an impoverished Treasury. By perverse and inquisitorial personal taxation they have put \$11,000,000 more per month into the Federal Treasury than their predecessors did, but by the reckless profusion of their appropriations they have at the same time taken nearly \$13,000,000 a month more from the Treasury than their predecessors

did. In other words, if Mr. Wilson on the 4th of March, 1913, could have looked both forward and backward, he would have seen his predecessors adding \$2,000,000 a month to the Treasury surplus and himself adding an equal sum to the Treasury deficit.

Moreover the Republican revenue laws, which produced these results, were so drawn that \$22,967,653 per month were customhouse receipts and were paid by foreigners, while \$22,534,842 per month came from internal-revenue receipts, which were paid by our own people. Under the Democratic system only \$19,023,760 per month was taken from the foreigner in customhouse receipts, while the enormous sum of \$34,116,302 per month was wrung from our own people by vexatious and oppressive taxes upon incomes, vocations, enterprise, and thrift. Those American citizens who have recently been wrestling with the clumsy and confusing income-tax blanks, or who have been constantly licking stamps for telegraph and telephone messages, and for other necessary business transactions, will be interested to know that, under Democratic revenue legislation, our own people contribute \$1.79 to the National Treasury for every dollar the foreigner pays, whereas under Republican revenue laws, the foreigner paid \$1.02 as against each dollar contributed by American citizens.

Believing that the tariff is the greatest economic issue now before the American people, I shall devote—what some of you may think—a very liberal amount of time to the presentation of figures which tell, in a very convincing way, the story of Protection's success and of Free Trade's failure.

EFFECT OF UNDERWOOD LAW ON IMPORTS.

The fairest basis of comparison for the purpose of showing the effects of the Underwood tariff law on our trade is the 10-month period from October, 1913, when that law became effective, to July 31, 1914, when the European war was declared, compared with October, 1912, to July, 1913, under the Republican tariff law, and October, 1914, to July, 1915, a full war period.

For the 10 months ended July, 1913, our total foreign trade was \$3,614,293,642, of which \$2,110,466,639 was exports and \$1,503,827,003 was imports, yielding us a favorable trade balance of \$606,639,636. For the 10 months ended July, 1914 (Underwood law), our total foreign trade was \$3,557,383,078, of which \$1,951,578,296 was exports and \$1,605,804,782 was imports, or a favorable balance of trade of but \$345,773,514. Here is a loss of 7.6 per cent in exports or sales abroad, a gain of about 7 per cent in imports or products competing with American goods, and a loss of 43 per cent in our favorable trade balance, which theoretical economists treat lightly, but which the business man knows full well makes money easy and enables him to finance his operations at smaller interest charges. For the 10 months ended July, 1915 (full war period), our total trade rose to \$4,005,957,321, of which \$2,617,698,636 was exports and \$1,388,258,685 was imports, or a favorable balance of trade due to the war of \$1,229,439,951, the high record in the history of our foreign commerce.

A FEW MASSACHUSETTS INDUSTRIES.

It will be of interest to the people of Massachusetts to know how some of their chief industries fared under the Democratic tariff law, using these same 10-month periods for comparisons.

Notwithstanding the fact that foreign competitors had little opportunity in the limited time during which the Democratic law was in free operation to perfect plans looking to increasing their sales of boots and shoes in the American market, our imports of footwear increased 70 per cent. There was an increase in imports under the entire leather schedule of nearly 55 per cent, or from \$14,166,838 to \$21,830,850. For the 10 months of 1914-15 these imports dropped to \$15,436,501.

Cotton cloth increased from 36,735,303 square yards, with an import value of \$6,712,274 in 1912-13, to 56,713,780 square yards valued at \$10,896,575 in 1913-14. It will be observed that the reduction of the tariff on cotton cloths did not work a reduction on the import price, inasmuch as the average price of 1912-13 was 18.2 cents per yard, while 1913-14 it was 19.2 cents. The number of yards imported for 1914-15 was slightly in excess of that for 1912-13. The total manufactures of cotton imported were valued at \$53,380,350, \$60,287,132, and \$35,829,441, for the three periods, respectively.

Cutlery imports advanced from \$1,596,319 in 1912-13 to \$2,594,511 in 1913-14, an increase of 62 per cent, dropping to \$1,505,499 in 1914-15, nearly all of it coming from Great Britain.

The fish schedule recorded an increase of 23 per cent, or from \$12,812,354 for 1912-13 to \$15,873,838 in 1913-14. The total for 1914-15 was \$14,648,439.

In this connection Mr. Fred L. Davis, president of the Gloucester Board of Trade, makes the following statement:

Because fish are now being received free of duty from Nova Scotia and Newfoundland, where lower wages and lower operating expenses permit a sale at less than the American fish man can afford to take, the Canadian has taken a considerable portion of our market from the American fishermen without the American consumer buying his fish at even a fraction of a cent less cost.

Manufactures of wool rose from \$8,870,101 in 1912-13 to \$29,239,274 in 1913-14, or an increase of 231 per cent. In 1914-15 they amounted to \$11,240,251. The largest increases under this schedule were recorded by cloths, dress goods, and wearing apparel.

Manufactures of silk increased 22 per cent, or from \$22,473,237 in 1912-13 to \$27,445,039 in 1913-14. They were \$19,768,243 for 1914-15.

Print paper increased 72 per cent in 1913-14 and 94 per cent in 1914-15, the imports being \$5,707,077 for 1912-13, and \$9,807,334 and \$11,085,801, respectively, for the two 10-month periods following. Of course the bulk of this came from Canada. The total paper schedule registered imports of \$18,277,029, \$23,890,468, and \$20,759,638, for the three periods, respectively.

Manufactures of vegetable fibers, jute, linen, hemp, etc., increased from \$65,199,001 in 1912-13 to \$70,060,253 in 1913-14, or over 7 per cent. They amounted to \$48,356,431 in 1914-15. The largest increase was in burlaps and bagging.

So much for manufactures, fish, etc. But while the manufacturing industries of Massachusetts suffered from the competition engendered

by the low duties of the Democratic tariff law, the agricultural industries encountered a competition no less pronounced. I will give some examples:

Imports of meat and dairy products increased from \$12,460,501 in 1912-13 to \$40,545,512 in 1913-14, and dropped to \$30,421,210 in 1914-15.

Wool increased from \$13,997,460 to \$38,118,561 and to \$54,240,425 for the three periods, respectively.

Cattle, hogs, sheep, fowls, etc., increased from \$8,649,917 to \$22,943,695, dropping to \$17,981,670 for 1914-15.

Agricultural products—breadstuffs (including grains, oats, etc.), vegetables, hay, seeds, broom corn, plants, shrubs, etc.—increased from \$37,436,473 in 1912-13 to \$71,924,646 in 1913-14. They were \$45,918,050 in 1914-15.

Eggs increased from about \$150,000 in 1912-13 to \$1,089,941 in 1913-14, dropping to \$376,504 in 1914-15.

In short, the total increase of importations into this country of the manufacturing and farm commodities which I have enumerated, and in the production of which Massachusetts is vitally concerned, increased from \$269,469,580 in the 10 months of 1912-13 to \$425,843,720 in 1913-14, an increase of 58 per cent, while for the 10 months of 1914-15, despite all the demoralizations of commerce incident to the European struggle, these commodities still entered our market to the amount of \$316,482,302, or an increase of nearly 18 per cent over the 1912-13 period.

REVENUES FROM CUSTOMS.

A discussion of imports naturally leads to a discussion of the revenue derived therefrom, and in this, as in all other things, the Underwood tariff law has proved a lamentable failure. In defending his law Senator (formerly Representative) Underwood said on the floor of the Senate December 17 last:

The receipts at the customhouse for 1912 amounted to \$311,321,672. In 1913, the last year of the Payne law, the customs receipts amounted to \$318,891,395, and in 1914, the first year of the present law, the receipts at the customhouse amounted to \$292,128,527. In other words, the falling off of receipts at the customhouse, comparing 1914, the first year of the present law, with 1912, was only \$19,193,045, and comparing it with 1913, the last year of the Payne law, it was \$26,762,868. You can not dispute the facts.

If Senator Underwood would confine his figures to the facts, there would be no reason to dispute his statement; but he, in common with other partisans of his bill, persists in crediting to that measure during the first year of its operations the revenues derived from the Republican law during July, August, and September. This has been confusing to the casual reader, and intentionally so.

The Democratic law became effective October 4, 1913, and thus was in operation but nine months of the fiscal year 1914. During the period July 1 to October 3, 1913, \$92,189,883 of customs revenues were collected under the Republican law, which made a part of the \$292,000,000 mentioned by Mr. Underwood—30 per cent in fact. In addition to this, about \$20,000,000 was realized from the Republican rates on wool, woollen goods, and sugar, which were carried over for a few months in the Democratic law. This would leave just about

\$180,000,000 to be credited to the Democratic law during the first nine months of its operation, or a monthly average of \$20,000,000 compared with a monthly average under the Republican law for 1913 of \$26,500,000—an average loss by the Democratic law of \$6,500,000 monthly, or a yearly loss at the rate of \$78,000,000. And these figures are exceedingly conservative.

Had the Underwood tariff law been in effect during the first three months of the fiscal year 1914, it would have netted not more than \$60,000,000 for the Treasury, instead of the \$92,000,000 actually collected by the Republican rates, so it is entirely fair to state that the actual benefit derived by the Democratic law from the law which it superseded was about \$32,000,000 for this three months period, plus the \$20,000,000 from rates carried over, or \$52,000,000. We might also add to this sum \$3,800,000 from a Republican postal surplus, smuggled into the Treasury by Mr. Burleson under the head of miscellaneous receipts, June 29, 1914, or a total from Republican customs rates and administrative efficiency of nearly \$56,000,000 for the fiscal year 1914.

The total ordinary receipts for the fiscal year 1914 reported by Secretary McAdoo were \$734,343,700. Without the aid of Republican laws the Democratic measures would have produced perhaps \$678,543,700. The total disbursements reported were \$735,495,316, Panama Canal disbursements of \$34,800,000 included. To this should be added the general deficiency bill, which was filibustered over until July following the close of the fiscal year, \$5,900,000, making total disbursements for the fiscal year 1914 of \$741,395,316. It is quite clear, therefore, that the Underwood tariff rates in the first nine months of their operation would have caused a deficit in the Treasury measured by the difference between \$741,400,000 and \$678,500,000, or nearly \$63,000,000, or, excluding Panama Canal disbursements, of \$29,000,000, had it not been carried out on the crutches of the law which is superseded. This is a fact incontrovertible.

It is difficult, if not well-nigh impossible, to measure with any degree of accuracy the effect of the war on our total receipts for the fiscal year 1915. If anything, the war aided the Treasury, because, while the total receipts from customs were but about \$10,000,000 less than estimated in the Secretary's report, the receipts from corporation and individual income taxes were augmented because of corporation and individual war profits. By collecting \$52,000,000 from the war revenue measure, and about \$80,000,000 from income taxes, the Treasury staggered through the year with a total excess of disbursements over receipts of \$57,442,509. Had the Republican tariff law been in effect during this year, and a policy of economy adopted instead of one of wild extravagance, the war revenue act would not have been necessary and we would have closed the year with a fair surplus.

The outlook for adequate revenues was so discouraging at the opening of the fiscal year 1915 that when the war broke out the Democrats promptly seized upon it as a pretext to enact the so-called war revenue bill, which saddled the people with millions of dollars of vexatious internal taxes. The opposition claimed that the prospect of a huge reduction in imports justified such additional taxation. The tax was collectible for the calendar year.

In a measure the war did curtail imports during the first few months, and it has since performed the proxy to some extent of a protective tariff on manufactured goods. The mills of Massachusetts owe it to the war that they are running to-day. But the situation is not all that our opponents would have us believe.

During the calendar year 1912, under Republican law, on \$1,818,000,000 of imports we realized \$326,340,000 of customs revenue, or an average rate of duty on all imports of 18 per cent. During 1913, nine months under the Republican and three months under the Democratic law, on \$1,792,600,000 of imports we realized customs revenue in the sum of \$310,800,000, or an average rate of duty of 17.4 per cent. For 1914, five months of war, our imports totaled \$1,789,250,000; duty collected, \$241,250,000; average duty rate, 13.5 per cent. While for 1915, full war period, our imports amounted to \$1,778,600,000; duty collected, \$198,606,000; average duty rate, 11.1 per cent.

These figures indicate that while imports fell off slightly over 2 per cent, comparing 1915 with 1912, duties fell off 39 per cent, and, compared with 1913, imports fell off about eight-tenths of 1 per cent while duties fell off 36 per cent.

In this respect things are going from bad to worse. During the month of January last we imported goods to the value of over \$184,000,000, but the duty collected thereon was only \$15,544,000, or an average duty rate for the month as low as 8.4 per cent. January, 1916, sets the high-water mark thus far in our import trade during the history of the country, and the low-water mark for the average rate of duty. Seventy-four per cent of our imports for this month came in absolutely free.

THE TREASURY BALANCE.

I desire at this point to discuss for a moment a subject which has given rise to considerable debate recently through the medium of the press, namely, the balance in the general fund of the Treasury.

The fiscal year ended June 30, 1913, thanks to the efficacy of Republican laws, found us with a balance in the general fund, exclusive of silver bullion, subsidiary silver coin, etc., of \$141,150,282, according to the Secretary's report. On June 30, 1915, excluding these same items, this balance had sunk to \$48,522,020, according to the daily Treasury statement for that date, although the report of the Secretary of the Treasury for the fiscal year 1915, submitted in December following, increased this balance to over \$104,000,000. This balance continued to dwindle until September 30 of that year, when the daily Treasury statement reported it as \$40,898,895, or, excluding these unavailable assets, \$8,018,179. In the meantime our adroit Secretary of the Treasury, Mr. McAdoo, had been rehearsing a balancing feat quite different from any theretofore exhibited to the public, and what was the astonishment of those who scan the daily statement each morning on awaking to find that the net balance for October 1, 1915, had swollen to \$128,063,545, an increase of \$87,000,000 over night, or \$120,000,000 over the September 30 balance, minus silver bullion and subsidiary coin. The chief items included in this inflated balance were \$61,000,000 to the credit of disbursing officers and \$23,000,000 of the national-bank notes redemption fund. Since

October 1, 1915, this new and ingenious system of accounting has been followed. It is supposed to lull into a feeling of security those who study the Federal finances.

We of the United States naturally accept Boston as our authority for English definitions, and a Bostonian has correctly defined the term "net balance." I refer to Mr. Harvey S. Chase, certified public accountant and former commissioner on economy and efficiency of the National Government. Mr. Chase declares:

A "net balance" necessarily means a free balance after all obligations have been provided for * * * a "net balance" can contain only funds free and on top of all current obligations.

Applying Mr. Chase's definition to the McAdoo system of accounting, let us see what was the true state of the "net balance" on February 29, 1916. Owing to the fact that certain items included in this computation do not appear until 15 days following the close of the month preceding, the February figures are the latest available.

On Feb. 29, 1916, Secretary McAdoo reported a net balance in the Treasury of-----	\$117, 170, 215. 25
On that date there were outstanding obligations and unavailable assets as follows:	
(1) Balance to credit of disbursing officers (representing outstanding valid claims against the Government)-----	\$56, 065, 335. 98
(2) National-bank notes redemption fund (payable from the general cash)---	39, 933, 755. 50
(3) Limited tender or unavailable assets (subsidiary silver coin, fractional currency, minor coin, silver bullion)-----	28, 332, 199. 74
(4) Deposits in Philippine treasury (always before Oct. 1, 1915, considered unavailable)-----	2, 585, 323. 59
(5) Treasury warrants outstanding-----	1, 583, 202. 98
(6) Matured coupons-----	¹ 610, 146. 59
(7) Interest checks-----	373, 922. 34
Total amount of deductions-----	129, 483, 886. 72
Deficiency-----	12, 313, 671. 47
Net excess of receipts over payments in February reports subsequently received-----	2, 171, 612. 63

Actual deficiency month of February, 1916----- 10, 142, 058. 94

In other words, if the Government were suddenly called upon to meet some unforeseen obligation from its balance, it would be in no position to do so.

"WAR ORDER" PROSPERITY.

The administration has endeavored in every way to minimize the influence of the European war in creating such prosperity as we now enjoy. One year ago Secretary Redfield, in an address to the United States Chamber of Commerce, categorically denied that our huge export trade consisted chiefly of war orders. The influence of war on our export trade began to be felt in September, 1914, when large sup-

¹ Reported in Financial Statement of the United States Government for Feb. 29, 1916, appearing Mar. 15.

plies of foodstuffs, horses, mules, automobiles, etc., commenced to go forward. Our total domestic exports for the 12 months, September, 1912, to August, 1913, inclusive, amounted to \$2,460,000,000. From September, 1913, to August, 1914, they dropped to \$2,245,000,000, or a decrease for the 12 months at the rate of nearly \$18,000,000 monthly. From September, 1914, to August, 1915, a full war period, we exported domestic goods to the value of \$2,978,800,000. Of 31 commodities included in these exports, which may properly be catalogued under munitions of war, our exports during the 1912-13 peace period amounted to \$606,000,000; during the 1913-14 period, before war orders began to come in, to \$505,000,000; and during the 1914-15 war period to \$1,515,500,000, or a gain in excess of \$1,010,000,000 over the previous year on these 31 commodities alone.

FEEDING THE EUROPEAN ARMIES.

We exported \$240,000,000 worth of breadstuffs and oats during the 1912-13 period; they dropped to \$181,000,000 in 1913-14; and reached the unprecedented record of \$568,000,000 in 1914-15. Exports of meat and dairy products fell from \$156,000,000 in 1912-13 to \$138,000,000 in 1913-14, and rose to \$243,000,000 in 1914-15. It was but a few days ago that the British Government laid contracts in this country for \$71,000,000 for beef stew to be supplied to her armies.

The average export price of corn per bushel for the eight months ended August, 1913, was 57.6 cents. The war forced it to 81.4 cents for the eight months ended August, 1915. Oats jumped from 39.4 cents to 61.6 cents, wheat from 97 cents to \$1.47, flour from \$4.67 to \$6.48 per barrel. The farmers of the country may get some idea from these figures of the benefit derived by them in feeding the armies of Europe.

NEW INDUSTRIES STARTED.

The influence of the European war in the encouragement of new industries has been no less pronounced. During the 10 months of 1915 ended October, 40 new companies capitalized at \$100,000 or over were organized in the Eastern States alone for the manufacture of war munitions, the aggregate capital being \$54,000,000, and this did not include the refinancing of four large concerns already established to the amount of \$354,000,000. Indirectly, as result of the war, 58 new companies with a capital of \$100,000 or over were organized in the Eastern States for the manufacture and distribution of chemicals, drugs, and dyes, total capital aggregating nearly \$54,000,000. Large investments of capital have also been made in the South and in the Mississippi Valley through this same cause.

EXPORT TRADE WITH NEUTRALS.

But while our exports to belligerent Europe have increased to an enormous extent, our exports to neutral countries, not including Norway, Sweden, and the Netherlands, the gateways to Germany, have fallen away coincidentally with an increase of imports.

I have statistics for the 12-month periods ended September, 1913, under the Republican law, and 1914 and 1915, under the Democratic law. They show that in the so-called "peace zones" of trade—North America, South America, Asia, Oceania, and Africa—our exports amounted to \$985,125,091, \$839,608,429, and \$867,695,414 for these three periods, respectively, while our imports from the "peace zone" reached the totals of \$921,110,289, \$1,028,954,620, and \$1,126,866,298, respectively, for the three periods. During the 12 months ended September, 1913, we chalked up a favorable balance in our trade with the "peace zone" of \$64,014,802. In 1914 the balance was \$189,-346,191 against us, and in 1915 it rose to \$259,170,884 against us.

What a political blessing the European war has been to the Democratic Party. Before the war that party had demonstrated its inability and unfitness for the task of maintaining prosperity and providing adequate revenue to meet the extravagant appropriations made by it for the ordinary running expenses of the Government. In this connection we must not forget that the balance of trade against the United States during the four months preceding the war, at a time when the Democratic policies and tariff law were in full force, was \$248,000,000, clearly indicating that the campaign of our foreign competitors to oust us from our home market was becoming effective. A couple more of such four-month periods and conditions as obtained in 1894 to 1897 under the Wilson tariff law would have been repeated, only in a magnified form; and, at the same time, the Government revenues were failing to meet Government expenses by approximately \$1,000,00 per day. Eliminate the market created by a temporary, artificial European demand and American industry would be prostrated, unless the fiscal policy of the present administration is changed.

The American manufacturer no doubt thinks he has had fierce competition with foreign manufacturers in the past, but I can assure him that his past experience compared with the future will be as a gentle zephyr compared to a cyclone. It is evident on all sides that a world-wide commercial war has begun. Former commercial relations of the great powers of the world are already destroyed by the war. Commercial policies are being practiced by former friendly Governments which would have been frowned upon by the same Governments before the war. If these policies are persisted in and the war should last one year longer I can not see any escape from additional neutral countries becoming involved in the conflict. The richest market in the world is the United States. After this wicked, unjustifiable war is over the millions of men now under arms will return to work. Their first thought will be to secure employment in order to obtain the simplest necessities of life. The great mass of the people will be compelled to work for what they can get. All will look to the American market and the great powers now engaged in war will let nothing on their part stand in the way of securing it. The American market belongs to America. We can dictate the terms upon which foreign nations can send their goods here. We can leave the bars down as they have been since the Democratic tariff act became operative, or we can regulate by a protective tariff the amount of importations and at the same time demand advantages abroad in exchange for concessions made.

The war has already given birth to national and international boycotts, the prohibition of a long list of imports, government control of shipping, and the arbitrary change of trade routes. Don't think for a moment that these and other policies of a far more serious character will not be enforced after the war in order to control the commerce of the world. Germany will emerge from the war the best organized industrial unit in the world. If it had not been for Germany's protective policy she could not have carried on the present war six months. Through that policy in time of peace Germany found herself able to produce the things she required in time of war. She is the nearest self-supporting country of all the civilized nations of the world. Even Germany's enemies must admire her energy, capacity, and talents. England and France are beginning to see the necessity of uniting, organizing, and mobilizing the energies of their people, and have taken steps to accomplish it. After the war is over we will be forced to meet a new industrial Europe, and I tell you we are not prepared to fight for our own markets much less the markets of the world, as against countries whose very existence depends upon regaining their former world markets.

MAXIMUM EFFICIENCY IN MANUFACTURE.

Our foreign competitors know that, given free access to our market, they can curtail the output of American factories and thereby increase the cost of the American output in proportion as they decrease the cost of their own product. The logical result of foreign underselling in our home market is to destroy our own manufacturing efficiency, drive the American manufacturer to the wall, and separate the American workman from his job. The more we lose control of our own market the smaller will be our manufacturing production, hence the higher its unit cost. Insecure in his domestic market how can the American manufacturer be expected to extend his foreign trade?

Shall we, by adhering to a policy of free trade, throw the greatest market in the world open to unbridled foreign competition, thereby assisting our rivals in trade to achieve the ideal 100 per cent efficiency resulting from full time, full capacity of their factories? Or shall we return to the American policy of protection to home industry by the adoption of duty rates which will prevent the products of foreign cheap labor, lower interest charges, and Government subsidization to be sold in the American market at rates which would put the quietus on American industries.

If we fail to guard well the interests of our own citizens, the slogan "America first!" is as false as was the greeting "Hail, Rabbi!" which accompanied the kiss of betrayal.

In concluding my remarks on the tariff question let me call your attention to the fact that, although the European nations are engaged in a battle royal, they are at the same time preparing for the greatest trade tug of war ever staged on this planet. "The world is soon to see economic organization on an international scale far different in kind and extent from anything hitherto known," declares M. P. Peixotto, president of the American Chamber of Commerce in Paris.

Great Britain has repudiated her free-trade policy in no uncertain terms. The school of Manchester lies in ruins and the statute of Cobden is buried beneath them. The dream of Chamberlain is about to become a reality.

Germany and Austria are planning teamwork for their share of the world's trade, and their plans contemplate an approach to state socialism inasmuch as the Governments will enter into active partnership with their industries.

Japan is rapidly following the example of Germany, and nearly every new industry in the Far Eastern Empire is being assisted by Government subsidies. Thanks largely to the seamen's law Japan is taking over control of the Pacific trade routes. She is undertaking cotton, wool, hemp, and dye manufactures, and, with her wage scale less than one-tenth that prevailing in the United States, it behooves us to watch closely the industrial development of the Land of the Rising Sun. Already Japan is a serious competitor in our markets for cotton cloths.

A TARIFF COMMISSION.

Meanwhile the bewildered and vacillating party now in control of our Government is doing not one thing of practical value to enable us to enter the lists on anything like even terms with our competitors. The refusal of the Democratic leaders to countenance proposals for protective rates on dyestuffs is the most recent proof of their continuing bigotry. And President Wilson's sudden outburst of affection for the Tariff Commission is in such striking contrast with his hostility to that idea before he realized its influence as a vote getter and its worth as an obstacle to a revision of the tariff that it deludes nobody.

I expect to live to see the day when the American people will be practically a unit on the subject of protection for home industries, as the people of Germany are to-day, and when that time arrives we can then talk about a nonpartisan tariff commission similar to the German tariff commission, to which all advocates of a nonpartisan tariff commission so universally point. Under present conditions it seems to me useless to talk of a nonpartisan tariff commission in the United States, particularly if the commission is to be appointed by the President, although I am so convinced that a half-way fair investigation will justify the absolute necessity of tariff duties higher than this administration would stand for that another trial might be justified, but I am not in favor of it. We have tried nonpartisan tariff commissions in the past with great expense and no results. Every Congressman whose views differed from those made in the report repudiated the commission's findings. In my opinion Congress should appoint the next tariff commission, with instructions to confine their work to collecting facts and figures of the cost of production here and abroad and to submit its findings, and its findings only, to Congress for legislative action. Let the commission be responsible to Congress and not to the President of the United States. A commission so appointed would be more careful as to the reliability of its reports submitted than one appointed by the President with a view of carrying out or demonstrating his tariff ideas.

MONETARY LEGISLATION.

Next in importance to tariff and revenue legislation comes legislation relative to the monetary system. To discuss this at length would require more time than permissible under the circumstances, and therefore I shall be brief.

Leaders of the Democratic Party are wont to point to the Federal reserve act as a great achievement of this administration, fraught with large benefits to the economic interests of this country. It would be impossible to go into a minute analysis of all the features of that act or trace the origin of each of its provisions and the changes which took place in the bill from the time it was introduced as an administrative measure to the time of its final passage. Suffice it to say, however, and this fact is known to all of you, the basic principles of the Federal reserve act were worked out by what is known as the Aldrich Monetary Commission, and the chief merits of the act to-day are those which were recommended by that commission. Legislation carrying out the recommendations of the Aldrich Monetary Commission would have passed during the administration of President Taft if it had not been for the Democrats in the Senate and House, ably assisted in their opposition by so-called Republicans. Moreover, the one feature of our monetary system which has proven of great benefit in case of extreme need has been what is known as the Aldrich-Vreeland emergency currency act, which was amended and enlarged by a section of the Federal reserve act. When the crisis came at the outbreak of the European war, August, 1914, it was the Aldrich-Vreeland Act to which recourse was had in order to avoid a panic. It is very commonly known and was widely remarked by nonpartisan authorities at the time of the final passage of the Federal reserve act that the chief merits of that act were such as were incorporated therein at the suggestion of Republican members of the Senate. The chief criticism that has been made of the operation of the Federal reserve act has been in its administration, which has been extremely partisan, particularly in the appointment of the personnel and in the organization of the Federal reserve bank districts.

DESTRUCTION OF THE MERIT SYSTEM.

For many years observers of governmental management have been agreed that efficiency of the service is promoted by adoption and observance of the principle commonly mentioned as civil-service reform: that is, the making of appointments and promotions upon the basis of merit demonstrated either by examination or by efficiency record, and the retention of employees who render satisfactory service. This principle is observed in private enterprises and has been adopted in the most efficiently conducted nations. Civil-service reform is not peculiarly a Republican doctrine. I shall not undertake to deny that the Republican Party has in some respects violated the principle of merit system. Its violations, however, were minor and of inconsiderable degree. In this present administration, on the other hand, the Democratic Party has proceeded, so far as it was permitted to do, upon the old and abandoned theory that to the victor belongs the spoils, and appointments have been made in almost every branch of the Government service with frequent disregard for the merit system and as a reward for political service or because of political friendship. This policy has been pursued not only in the various departments of the Government at home, but, which is much more to be lamented, in the Diplomatic and Consular Service, through which we conduct our negotiations with foreign countries and by which we hope to enlarge our trade. Disregard of the merit principle in

Government affairs at home means merely a loss of efficiency and the discouragement of effort, but the disregard of this principle in appointments in foreign service means a loss not only financially, but a sacrifice of the high place we had earned in the esteem of the leading nations of the earth.

I have not personally examined the record to ascertain exactly to what extent merit has been disregarded and political service has been rewarded in the Diplomatic Service, but I accept as true the statement of Dr. Charles W. Elliot, president of the National Civil Service Reform League, who said, in December, 1913, after this administration had been in power nine months:

Of the 22 ministers displaced, 13 had had several years' experience in diplomatic service, while none of the new appointees had had any experience. Several of the appointments of obscure men to diplomatic posts have seemed to the public to be made in payment of political debts.

In the public service at home the spirit of the civil-service law has been violated by the enactment of legislation exempting certain newly authorized employees from the civil-service test requirements and by the extraordinarily large number of Executive orders permitting appointments without regard to the civil-service regulations and law. These are a matter of record on our statute books and in the office of the Civil Service Commission.

DEMOCRATIC INEFFICIENCY ADMITTED.

There is nothing I could say that more severely condemns the Democratic Party on the score of inefficiency than has been placed in the record by that party itself, for it has reversed itself upon practically every important issue upon which it made its campaign. If the Democratic Party is right in the attitude which it now maintains upon these issues, it was wrong, and therefore lacking in foresight, when it adopted its policies and sought to enact them into legislation. If it was right then it is wrong now, and in either event it has demonstrated a want of that high type of statesmanship which should be demonstrated by a party claiming the right to control the destinies of a nation as great as this of ours.

The Democratic Party was placed in control of the Government on certain pledges, one of which was the granting of free tolls through the Panama Canal, which it enacted into law, but later repealed.

The Democratic leaders assured the American people that a reduction or removal of tariff duties would decrease the cost of living, but they have since made open acknowledgment that the great reductions had no such effect.

They accused the Republican Party of extravagance and inefficiency and then proceeded to make the largest appropriations in the history of the country, giving in return therefor a service impaired beyond the recollection of any man in this generation.

They asserted their intention to enact legislation which would re-establish our merchant marine without imposing any additional cost upon the American taxpayer, but the one effort they have made in that direction is a ship-purchase bill which does propose an increase in taxes for the purchase of ships, and which combines with that extravagance the unwise policy of government ownership.

They denounced the usurpation of the powers of one branch of the Government by another, but never in our history has there been an instance in which the Executive more thoroughly dominated the legislative branch than has been seen during the present Democratic régime.

Other matters upon which the administration has changed its mind are presidential primaries, "pitiless publicity," congressional caucus, popular government, regulation by commission, civil-service reform, free sugar, woman suffrage, giving business a rest, keeping business out of politics, "strict accountability," relations with Mexico, single-term plank, and preparedness. The tariff commission is the latest, but probably not the last.

REPUBLICAN CONSTRUCTIVE LEGISLATION.

As I have already remarked, although Republican administrations were not perfect in their record of legislation or administration, yet they were marked by a large amount of constructive legislation—conservative and yet progressive, guarding against extreme radicalism but keeping abreast of the needs of the people of this country. It is scarcely necessary to do more than enumerate the more important of the acts placed upon our statute books while Republican Congresses were in control at the Capitol and a Republican Executive in charge at the White House.

Republicans passed the interstate-commerce act, which guards shippers against excessive charges or discriminations and yet affords the railroads opportunities to secure an increase in rates when they can demonstrate the reasonableness thereof.

A Republican Congress passed mining and other safety-device legislation, which has diminished the danger to laborers in hazardous occupations where accidents are most frequent.

The pure-food law, which not only protects the consumer against adulterated articles and prevents his being cheated, but also protects the honest manufacturers against unfair competition, was enacted by a Republican Congress and signed by a Republican President.

The postal savings bank law was passed by a Republican Congress, with every vote against it in the House cast by Democrats and every vote for it in both Houses cast by a Republican, with the exception that one Democrat in the Senate supported it.

The parcel-post act was attached to the Post Office appropriation bill in a Republican Senate, after the Democratic House had included in that measure only a temporary experimental provision which would have been of no value from the standpoint of service.

Republican Congresses submitted to a vote of the States constitutional amendments for popular election of Senators and for the establishment of an income tax.

The Republican Party established the Department of Labor and the Bureau of Mines and brought our Postal Service to a high state of efficiency, approved and commended by all the people of the country.

The Republican Party passed the act for the construction of the Panama Canal, a piece of work that will be remembered by the people of the earth long after the pyramids of Egypt have crumbled into dust. The finances of the Government were such that the greater

part of the expense was paid out of current revenues, although an issue of bonds had been authorized to cover the cost.

These are only a few of the most important and best-known measures passed by Republican Congresses. Not in any particular has the Republican Party failed to enact legislation in response to a need known to exist. Perhaps we were sometimes a little slow, but, if so, we proceeded with sureness that relieved us of the embarrassment of frequently repealing our acts or repudiating our promises, as this Democratic administration has found it necessary to do within the short period of two years.

THE MEXICAN "POLICY."

When Woodrow Wilson took the oath of office as President March 4, 1913, he summoned "all forward-looking men" to his side. Their prospect must have been entrancing. By a majority of the Electoral College larger than any candidate had ever before received Mr. Wilson and his party had come into power. The opposition was divided, apparently hopelessly. They took over a Treasury bursting with funds and supplied with a golden screen of revenue. They saw the country active and enterprising, though somewhat restless under the menace of the new administration. They received the national honor at a point where the respect of the world for America and American opinions was very high. There was but one problem that seemed of immediate or threatening importance. In Mexico a troublous situation of internal politics, which had continued for more than two years, had recently culminated in the assassination of a constitutionally chosen executive, and our interests, personal and financial, in that Republic, like the interests of all other foreign nationals domiciled there, looked to the administration at Washington for protection. This was the only cloud upon the horizon to which those forward-looking men turned their eyes.

The time has now come for a backward glance.

We see a tiny cloud of Mexican disorder growing into a frowning thunderhead of multiplied revolutions, of pillage, of arson, and of murder, and now gathered into a whirlwind in which American troops may at any moment be engulfed.

Gazing upon that tiny fleck upon an otherwise cloudless sky three years ago, the President declared his policy of "watchful waiting." For a year he pursued that "policy," until startled into action by an insult to our flag, which could not have been unexpected. He was aroused from his sleep one April night in 1914 and turned uneasily upon his pillow and issued the order for Fletcher to take the customs-house at Vera Cruz. That was an act of war and was contrary to the President's constitutional limitations.

From this technical presidential embarrassment, however, Congress gave the President deliverance, but he was never delivered from the embarrassment of the attack on Vera Cruz, the fruits of which were the death of 19 American marines, over \$10,000,000 expense to the Government, the humiliation of our compatriots in Mexico, the illegal collection and retention of more than \$1,000,000 of customs revenues belonging to the Mexican Republic, and the failure to receive the salute to the flag which the expedition was designed to extort. In the agreement reached through the appointment of the A B C mediators we became the laughing stock of the world. In it not one word

is found about the hundreds of millions of dollars of American property destroyed, not one word about the hundreds of American lives lost, not one word about the murdering and ravishing of American women, and the insult to the flag was even forgotten. But we must give the President credit for securing the one thing uppermost in his mind, and that was that a certain "greaser" named Huerta, whom he would not recognize, should leave Mexico.

That expedition of service, as the President called it, with its farcical and humiliating termination, served only to intensify in the Mexican mind the contempt and hatred for the United States which had already found lodgment there. It bore fruit in almost continuous outrages upon American persons and property in Mexico, and it culminated in the villainous organized night raid upon the town of Columbus, as a result of which our troops are to-day treading Mexican soil in search of a bandit whom the National Government that Mr. Wilson refused to recognize would have destroyed long since.

To the President's policy in Mexico can be traced the succession of humiliations which have attended us in our relations with the nations of Europe. At Tampico it was German and British warships, not our own, that took away the American colony from that place of danger. At Vera Cruz it was an English contingent that took a special train to Mexico City to bring away our nationals from that capital, and it is not to be wondered at that Great Britain and Germany, when their own course found itself in opposition to ours, should have later recalled the humiliations which we endured in Mexico and should have added to them by the contemptuousness with which they received our communications at a later day.

PREPAREDNESS.

For the last 15 years I have been an advocate of a strong Navy and a larger and better equipped Army, and a reserve of ammunition for Army and Navy. I voted for four battleships when President Roosevelt undertook to strengthen our Navy, and I have voted for every amendment to a Navy appropriation bill with a view of increasing the amount provided for by the House of Representatives. I have stated many, many times in public addresses that if I am ever charged with voting public money extravagantly it will be for the building of and maintaining an adequate Navy. I have not changed my position on this subject, as the present administration has done after it was forced to do so by public opinion. In this connection it might be interesting to call attention to the President's message to Congress, delivered December 8, 1914, from which I quote the following:

From the first we have had a clear and settled policy with regard to military establishments. We never have had, and, while we retain our present principles and ideals, we never shall have, a large standing Army.

Speaking of the Navy, I quote:

But who shall tell us now what sort of a Navy to build? We shall take leave to be strong upon the seas in the future as in the past, and there will be no thought of offense or of provocation in that. When will the experts tell us just what kind we should construct, and when will they be right for 10 years together, if the relative efficiency of craft of different kinds and uses continues to change as we have seen it change under our very eyes in these last few months?

But I turn away from the subject. It is not new. There is no new need to discuss it. We shall not alter our attitude toward it because some amongst us are nervous and excited. * * * The question has not changed its aspects because the times are not normal. * * * Let there be no misconception. The country has been misinformed. We have not been negligent of national defense.

I remember well how heartily Secretary Bryan and the Democrats of the Senate and House applauded the above utterances of the President. Somebody has had his ear to the ground since the above was said, and it has not been Bryan, either. Compare that statement of the President with the one made a year later, in which he declared we should have the most powerful Navy in the world and that we did not have at present a large enough Army to successfully patrol the Mexican border.

I believe that the people of this country love peace and will go to any honorable length to retain it; but this Government, nor any other self-respecting Government, can not afford to retain it at the expense of its honor or legitimate demands. "Peace at any price" is not an American sentiment; and in these days of almost universal armament of the civilized countries of the world to be unprepared is a wicked disregard of the rights of those nearest and dearest to us on earth and our country's very life and existence. The day of universal peace and disarmament of all nations has not arrived yet. We all will welcome it when it comes, but in the meantime I must use my influence and every power at my command to see that our country is prepared to defend her rights and the liberties of her people. As a Senator of the United States my attitude toward the question of preparedness is that of a trustee responsible for the protection of the lives and happiness and property of 100,000,000 people; and in determining my course toward this question I must not speculate, gamble, or take chances with all that the people hold dear. In reaching my conclusions I must not forget what the history of experience has taught other people in the world in order that they may be free and independent from the aggression of jealous and grasping nations, and that experience proclaims in every age of the world it can only be accomplished by being able to defend and protect themselves.

The road to war is unpreparedness. Failure to be prepared to defend our liberties and our independence is a direct invitation to any half-crazed war lord or any nation jealous of our prosperity to pick a quarrel with us and then attack us. We must remember the ocean is not the barrier to-day it was 50 years ago. Personally I am a lover of peace, and whatever position I take as the servant of the American people will be to assure peace to our country for the future. I know that this can only be accomplished by our being prepared with a competent Army and Navy to maintain our national honor against the demands and aggression of foreign powers who have not the same high ideals of life and civilization as have the people of the United States. This policy must be followed until such time as those powers will learn the lessons of true Christianity and their greed for more land, more power, and more slaves is entirely eliminated from their national lives.

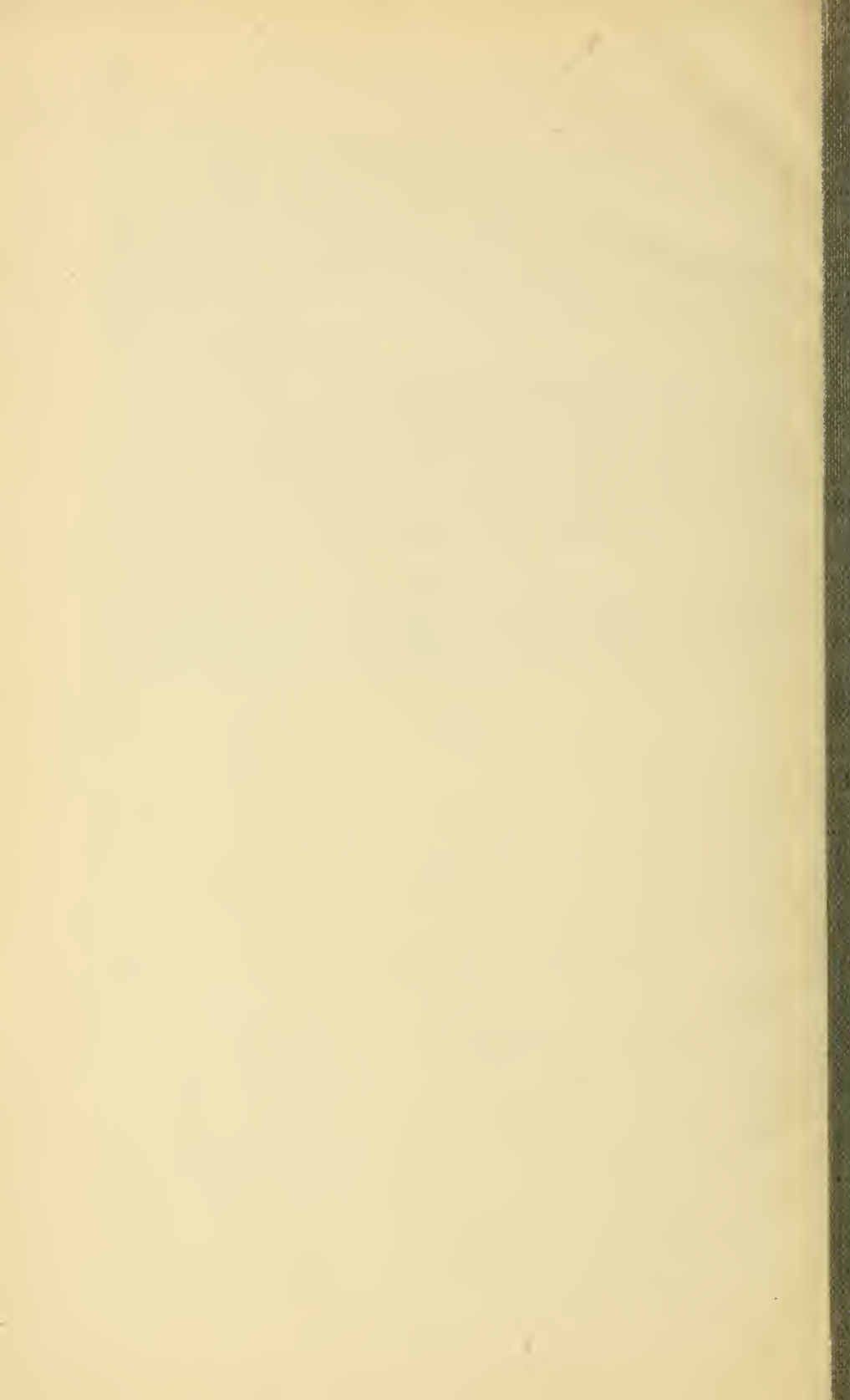
No one wishes our country to adopt militarism, and, so far as I can prevent it, our country never will adopt such a policy. We seek

no expansion territorially. Aggression is far from our thoughts. We are a peace-loving Nation, but we have national ideals—the ideals of liberty, independence, and political freedom—and for these ideals I am prepared to fight if it becomes necessary, and I am prepared to fight to prevent a military burglar entering our country to plunder and murder to his heart's content. I would rather be dead than a slave to a foreign power. I believe in the spirit of our Revolutionary fathers, who made it possible to establish the greatest Republic in the world. I believe in the spirit of humanity that abolished slavery from our country and reestablished and reunited the United States of America.

I do not nor can I believe in the doctrine that “if we harm no one, no one will harm us.” The world has not yet reached that most desirable era of brotherhood of man, and we have had ample proof furnished by what is going on all around, that nations do not live in harmony. This applies to countries prepared for war and countries totally unprepared. Many of the great powers of the world are jealous of our ideals, which we most cherish. Some are growing jealous of our power in the world's affairs. Knowing this, I for one can not leave our country unprepared to defend the lives and liberties of her citizens.

It will take years to alter the ideas of the world. The world will not respect our God-given rights by our ignoring them. I must do my duty. I can not let the question of expense stand in the way of placing our country in a position to maintain her integrity, her honor, and her high ideals of civilization.





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